



Department of Justice

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JUSTICE DEPARTMENT APPROVES JOINT LICENSING OF PATENTS ESSENTIAL FOR MAKING DVD-VIDEO AND DVD-ROM DISCS AND PLAYERS

WASHINGTON, D.C. -- The Department of Justice today approved a proposal by three electronics firms that will allow them to jointly license patents to other companies so those companies can make discs and players that comply with the Digital Versatile Disc-Video and Read-Only-Memory (DVD-Video, DVD-ROM) standards.

According to the proposal, Koninklijke Philips Electronics N.V. (Philips) will offer package licenses on behalf of itself, Sony Corporation of Japan (Sony), and Pioneer Electronic Corporation of Japan (Pioneer). The license will allow makers of DVD-Video and DVD-ROM discs and players to use the technology the three firms own that is essential to comply with DVD-Video and DVD-ROM Standard Specifications.

In a business review letter issued today by Joel I. Klein, Assistant Attorney General in charge of the Antitrust Division, the Department said the proposed patent pool is designed to capture the efficiencies that may come from joint licensing of complementary technologies. It will reduce the costs associated with obtaining licenses on the three firms' essential patents, while raising little possibility of competitive harm.

A DVD is the same size as a compact disc, but with more than seven times the capacity. Utilizing compression technology, a single DVD-Video disc can hold a two-hour feature film.

The Standard Specifications were established by Philips, Sony, Pioneer and seven other firms to define the Digital Versatile Disc for video and ROM applications. These Specifications also include rules, conditions and mechanisms for players to read the discs and convert them into images for screen display. The Standard Specifications implicate the intellectual property rights of a number of firms, including Philips, Sony and Pioneer.

Through the license from Philips, makers of discs and players that comply with the Standard Specifications will be able to license the essential patents of Philips, Sony and Pioneer in a single transaction. The license will tell potential licensees exactly what patents are in the portfolio, that a license on each portfolio patent is available independently from its owner, and that the licensee will need to obtain licenses from other technology owners as well in order to comply with the Standard Specifications.

Philips, Sony, and Pioneer have retained a patent expert to review their patents to ensure that the license conveys rights only to patents that licensees will need in order to comply with the Standard Specifications. Based on information that is obtained from the three firms, others in the industry, and the expert's own advisors, it will be decided which of the three firms' patents are necessary for compliance with the Standard Specifications. By doing this, the Department noted, the expert will help ensure that the patent pool does not combine patents that would otherwise be competing with each other.

Under the Department's Business Review Procedure, an organization may submit a proposed action to the Antitrust Division and receive a statement as to whether the Division will challenge the action under the antitrust laws.

A file containing the business review request and the Department's response may be examined in the Legal Procedure Unit of the Antitrust Division, Suite 215, Liberty Place, 325

7th Street, N.W., U.S. Department of Justice, Washington, D.C. 20004. After a 30-day waiting period, the documents supporting the business review will be added to the file.

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